



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

June 9, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

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Second District

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Third District

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SACRAMENTO UPDATE

ADDITIONAL INFORMATION ON THE GOVERNOR'S FY 2008-09 MAY REVISION

As reported in our May 15, 2008 Sacramento Update, the overall impact of our initial analysis of the Governor's FY 2008-09 May Revision on the County was an estimated \$331.7 million loss. Based on new information from the State and various County departments, we now project the impact to have increased by \$25.8 million to an estimated \$357.5 million loss to the County.

The variance from our previous estimate is due primarily to the following changes:

Variance	Program Description Change
\$12.6 million	Reduction from potential savings as a result of the revised proposal to eliminate services for certain In-Home Supportive Services (IHSS) recipients.
\$ 5.3 million	Elimination of the California Healthcare for Indigents Program.
\$ 5.2 million	Additional reductions to Medi-Cal Administration.
\$ 5.0 million	Increased costs as a result of eligibility changes to the Section 1931(b) Medi-Cal Program.
\$ 1.5 million	Increased costs from the elimination of full-scope Medi-Cal services for legal immigrants.
\$ 3.3 million	Reduction in potential savings from the proposed foster care provider payments reduction.
\$ 1.5 million	Elimination of the Community Treatment Facilities supplemental rate.

The increased impact on the County is partially offset by the Administration's delayed implementation date of the proposed CalWORKs Program reforms (-\$8.0 million), and a revised estimate on the impact of the proposed Child Welfare Services reduction (-\$600,000).

Governor's Proposed Reduction in State Participation in IHSS Provider Wages.

Our May 15, 2008 analysis of the May Revision noted that the Governor now proposes to reduce State participation in provider wages to the State's minimum wage of \$8 per hour. The Governor's Proposal retains State participation in health benefits at the level of 60 cents per hour. If IHSS provider wages were reduced to the minimum wage, the County would realize an estimated annual savings of \$34.8 million. However, if the County were to restore the current wage of \$9.00 per hour without State participation above the minimum wage, the additional cost to the County of replacing the State share would be \$46.8 million in FY 2008-09, and \$64.8 million annually thereafter.

Attachment I provides an updated breakdown of the estimated impact of the Governor's January and May Revision Budget proposals on the County by program. Additional information on the revised estimates is available in Attachment II.

We will continue to keep you advised.

WTF:GK
MAL:MR:VE:mp

Attachments

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants

**ESTIMATED IMPACT TO LOS ANGELES COUNTY
FROM THE GOVERNOR'S FY 2008-09 PROPOSED BUDGET**

Programs:	January Budget	May Revision (As of 5/15/08)	May Revision (Updated 6/9/08)
<u>Health</u>			
Medi-Cal Provider and Managed Care Rates	(\$12,714,000)	(\$12,714,000)	(\$12,714,000)
Federal Safety Net Care Pool Payments/South L.A. Preservation Fund	(24,393,000)	(24,393,000)	(24,393,000)
California Healthcare for Indigents Program	0	0	(5,300,000)
Section 1931(b) Medi-Cal	0	0	(5,000,000)
Medi-Cal Eligibility for Legal Immigrants (PRUCOL and newly qualified)	0	0	(1,500,000)
<u>Public Health</u>			
HIV/AIDS Treatment and Prevention	(1,000,000)	(1,000,000)	(1,000,000)
Family and Health Programs	(202,000)	(202,000)	(202,000)
Alcohol and Other Drug Programs	(6,628,000)	(6,628,000)	(6,628,000)
Proposition 36 Program/Offender Treatment Program	(3,049,000)	(3,049,000)	(3,049,000)
Other State-Funded Programs	(1,427,000)	(1,427,000)	(1,427,000)
Children's Medical Services	(4,500,000)	(4,500,000)	(4,500,000)
Tuberculosis Control Program	(151,000)	(151,000)	(151,000)
Immunization Program	(827,000)	(827,000)	(827,000)
<u>Mental Health</u>			
State Maximum Allowance Rate Cut (EPSDT & Adult Services)	(23,100,000)	(23,100,000)	(23,100,000)
Mental Health Managed Care Program	(7,140,000)	(7,140,000)	(7,140,000)
<u>Social Services</u>			
Child Welfare Services Administration	(25,600,000)	(25,600,000)	(25,000,000)
Foster Care Provider Payments Savings	18,200,000	18,200,000	14,900,000
Adult Protective Services Administration	(2,600,000)	(2,600,000)	(2,600,000)
Medi-Cal Administration	(50,100,000)	(50,100,000)	(55,300,000)
In-Home Supportive Services (IHSS) Administration	(8,500,000)	(7,600,000)	(7,600,000)
IHSS Program Savings	23,000,000	23,000,000	10,400,000
Reduced State Participation in IHSS Wages	0	(48,600,000)	(48,600,000)
CalWORKs Program Reforms	(113,000,000)	(113,000,000)	(105,000,000)
Cash Assistance Program for Immigrants	0	(13,700,000)	(13,700,000)
Community Treatment Facilities Differential Rate	0	0	(1,500,000)
<u>Justice and Public Safety</u>			
Juvenile Probation Camp Funding	(8,000,000)	(8,000,000)	(8,000,000)
Juvenile Justice Crime Prevention Act (JJCPA) Program	(3,300,000)	(3,300,000)	(3,300,000)
Citizens Option for Public Safety (COPS) Program:	(1,000,000)	(1,000,000)	(1,000,000)
<u>General Government</u>			
Delay of Third Installment of the Deferred Mandate Payments	0	(14,000,000)	(14,000,000)
February 2008 Presidential Primary Election	(20,000,000)	0	0
Public Library Fund	(190,000)	(190,000)	(190,000)
Military and Veteran Affairs Programs	(29,000)	(29,000)	(29,000)
Subventions for Open Space (Williamson Act)	(4,000)	(4,000)	(4,000)
Total	(\$276,254,000)	(\$331,654,000)	(\$357,454,000)

This table represents the estimated loss/gain of State funds based upon the Governor's January and May Revision Budget proposals. It does not reflect the actual impact on the County or a department which may assume a different level of State funding or be able to offset lost revenue.

ADDITIONAL INFORMATION ON REVISED ESTIMATES

Health

California Healthcare for Indigents Program (CHIP). The May Revision reduces funding for CHIP and the Rural Health Services Program, which are funded by the Cigarette and Tobacco Products Surtax Fund (Proposition 99), by \$9.8 million in FY 2008-09. CHIP reimburses counties, physicians, and certain hospitals for their uncompensated care. The Department of Health Services (DHS) estimates a loss of up to \$5.3 million to the County.

Section 1931(b) Medi-Cal Program. The May Revision proposes to rollback the income eligibility level from 100 percent of the Federal Poverty Level (FPL) to 68 percent of the FPL for applicant families who currently qualify for zero share of cost Medi-Cal benefits, and to reinstate the 100-hour rule for these families. In addition, principle wage earners who work more than 100 hours per month would not be eligible for Medi-Cal benefits. The proposal would be phased in over 33 months for an estimated State General Fund savings of \$31.2 million in FY 2008-09 and \$342.5 million through FY 2011-12 when the proposal is fully implemented.

According to the Department of Public Social Services, this proposal would result in the loss of Medi-Cal benefits for an estimated 43,000 parents in Los Angeles County in FY 2008-09 and approximately 157,000 parents when the proposal is fully implemented in FY 2011-12. These individuals would add to the ranks of the estimated 2.1 million already uninsured County residents. According to DHS, there is insufficient information available from the State Department of Health Care Services (SDHCS) to develop a firm estimate of the impact of this proposal, however, based on the countywide caseload total for this population, it is estimated that the potential impact on the County is a \$5.0 million loss in FY 2008-09.

Medi-Cal Eligibility for Legal Immigrants. The May Revision proposes to eliminate full-scope benefits for newly qualified immigrants who have been in the United States for less than 5 years and for immigrants who permanently reside under the color of law (PRUCOL) for an estimated State General Fund savings of \$86.7 million. As stated above, there is insufficient information available from SDHCS to develop a firm estimate of the impact, however, based on the countywide caseload total for this population, it is estimated that the potential impact on the County is a \$1.5 million loss in FY 2008-09.

Mental Health

State Maximum Allowance (SMA) Medi-Cal Rates. The May Revision retains the Governor's Budget proposal to reduce the SMA Medi-Cal rates by five percent. According to the Department of Mental Health, this proposal would result in a loss of \$17 million for Early and Periodic Screening, Diagnosis and Treatment (EPSDT) services because the County will not receive either the State or Federal Financial Participation (FFP) matching funds for providing these services. The EPSDT Program provides services for mentally-ill children and youth up to 21 years of age. In addition, it is estimated that the County will lose \$6 million for adult mental health programs because the County will not be able to draw down FFP matching funds.

Social Services

CalWORKs Reforms. The May Revision retains the Governor's Budget proposals to reform the CalWORKs Program. However, the effective date is changed from July 1, 2008 to October 1, 2008. Based on the delayed implementation date, these proposals will result in the loss of approximately \$105 million in CalWORKs cash assistance payments in FY 2008-09. These proposals could also result in a potential cost shift to the County ranging from \$47 million to \$105 million for recipients who are eligible for the General Relief Program. These proposals and their estimated impacts on our clients are:

- **Graduated Full Family Sanction.** Reduce the child-only portion of the grant by 50 percent when the adult does not comply with work requirements for an accumulated total of six months. The case would be closed if the adult has a total of 12 months of non-compliance. We estimate this proposal may potentially impact 6,310 families and 12,287 children in Los Angeles County.
- **Modified Safety Net Elimination.** Maintain the child-only CalWORKs grant beyond the 60-month time limit when the able-bodied adult meets the Federal work participation requirements. Safety net benefits would be eliminated if the adult does not meet the work participation requirements. This will potentially impact 13,551 families and 32,311 children.
- **Child-Only Benefits.** Limit child-only benefits to 60 months when the parent or caretaker is an undocumented non-citizen, a convicted drug felon or a fleeing felon. This will impact approximately 16,167 families and 39,377 children.

In-Home Supportive Services (IHSS). The Governor's Budget reduced IHSS domestic and related services by 18 percent. This proposal would have reduced services to IHSS recipients by an average of six hours per month for a State General Fund savings of \$109.4 million. As originally proposed, service hours for an estimated 160,679 IHSS recipients in Los Angeles County would have been reduced for an estimated net County cost savings of \$23.0 million. The May Revision deletes this proposal and would instead eliminate IHSS domestic and related services for recipients

determined to have lower services needs for an estimated State General Fund savings of \$52.0 million. As a result of the new proposal, the impact to the County is estimated to be \$10.4 million in net County cost savings in FY 2008-09, and a reduction in services to approximately 35,000 IHSS recipients in the County.

In-Home Supportive Services Wages. Our May 15, 2008 analysis of the May Revision noted that the Governor now proposes to reduce State participation in provider wages to the State's minimum wage of \$8 per hour. The Governor's Proposal retains State participation in health benefits at the level of 60 cents per hour. If IHSS provider wages were reduced to the minimum wage, the County would realize an estimated annual savings of \$34.8 million. However, if the County were to restore the current wage of \$9.00 per hour without State participation above the minimum wage, the additional cost to the County of replacing the State share would be \$46.8 million in FY 2008-09, and \$64.8 million annually thereafter.

Medi-Cal Administration. The May Revision retains the Governor's Budget proposals to reduce county administration and increase estimated State General Fund savings from \$142.2 million to \$152.5 million. The proposals would:

- Reduce the county administration base by 3.67 percent for a State General Fund savings of \$23.3 million and a total reduction of \$46.6 million in combined State and Federal funds;
- Eliminate the county administrative caseload growth for a State General Fund savings of \$20.6 million and a total reduction of \$41.3 million in combined State and Federal funds;
- Eliminate the cost-of-living adjustment for eligibility workers, administrative and support staff for a State General Fund savings of \$32.3 million and a total reduction of \$64.6 million in combined State and Federal funds.

These proposals would result in a revised estimated County loss of \$55.3 million in Medi-Cal Administration funding in FY 2008-09. The reduction will directly impact the County's ability to determine Medi-Cal eligibility for low-income families and children. The reduction also will limit the County's ability to continue outreach services to enroll eligible families in both the Medi-Cal and Healthy Families programs.

Child Welfare Administration. The May Revision retains the Governor's Budget proposal to reduce funding for Child Welfare Services by 11.4 percent for a State General Fund savings of \$83.7 million. The Department of Children and Family Services (DCFS) estimates the Governor's proposal would result in a loss of \$25 million to the County which will affect services to over 37,000 children.

Foster Care Provider Payments. The May Revision retains the Governor's Budget proposal to reduce foster care payments by ten percent. However, based on the Administration's revised implementation date, from July 1, 2008 to October 1, 2008,

according to DCFS, it is anticipated that this proposal will result in an estimated savings of \$14.9 million to the County in FY 2008-09.

Community Treatment Facility (CTF) Differential Rate. The May Revision retained the Governor's FY 2008-09 Budget proposal to eliminate the \$2,500 CTF differential rate. CTFs serve as community placement of last resort for the most seriously emotionally disturbed foster youth. The \$2,500 differential rate was established to encourage providers to establish CTF programs. DCFS currently has about 50 youth placed in CTFs, and the elimination of the differential rate will result in the loss of an estimated \$1.5 million used by the County to fund these types of placements.